

KINGMAN AIRPORT AUTHORITY, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2015

**KINGMAN AIRPORT AUTHORITY, INC.
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YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Kingman Airport Authority, Inc.
Kingman, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Kingman Airport Authority, Inc., as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Kingman Airport Authority, Inc. as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kingman Airport Authority, Inc.'s basic financial statements. The Statement of Revenues and Expenses – Budget and Actual – Budgetary Basis is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Revenues and Expenses – Budget and Actual – Budgetary Basis is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona

November 5, 2015

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

We (the Kingman Airport Authority, Inc. (Authority)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2015. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities; the sources, uses, and changes in resources; adherence to budget; service levels; limitations; significant economic factors; and the status of infrastructure and its impacts on our debt and operation.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Kingman Airport Authority, Inc. exceeded its liabilities at the close of the most recent fiscal year by \$18,847,965 (net position). Total net position includes \$17,199,130 classified as net investment in capital assets and \$1,648,835 in unrestricted net position.
- ◆ The Kingman Airport Authority, Inc.'s operations produced an operating loss of \$1,325,830 for the fiscal year. Although much of this loss can be attributable to noncash depreciation expense on assets that were contributed by the federal government or acquired with the aid of grants, the Authority still relies on revenue from the building space and hangars that are continually leased to other parties.
- ◆ Operating revenues increased from \$1,154,709 to \$1,169,429.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves to introduce the Authority's basic financial statements. The Authority's basic financial statements have two components: 1) fund financial statements, and 2) notes to the basic financial statements. Separate government-wide financial statements are not presented since the Authority has only one enterprise fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Kingman Airport Authority, Inc., like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike most other governments, which have multiple funds, all of the Authority's activities are business-type activities and are accounted for in a single proprietary fund.

The *statement of net position* presents information on the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information on how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Notes to Basic Financial Statements

The notes to basic financial statements (pages 11 - 17) provide additional information that is essential to a full understanding of the data provided in the fund financial statements and should be read with the financial statements.

FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a government's financial position. At the end of the fiscal year, the Kingman Airport Authority, Inc.'s assets exceeded liabilities by \$18,847,965.

Airports are capital-intensive enterprises. Approximately 91% of the Authority's net position is invested in capital assets. The Authority uses these assets to provide aviation access and services to the flying public and the surrounding community; consequently, these assets are not available for future spending.

**Table A-1
Net Position**

	2015	2014	% Change
Current and Other Assets	\$ 1,705,435	\$ 1,627,404	4.8 %
Capital Assets, Net of Accumulated Depreciation	17,228,641	17,566,034	(1.9)
Total Assets	<u>18,934,076</u>	<u>19,193,438</u>	
Current Liabilities	66,047	118,591	(44.3)
Noncurrent Liabilities	20,064	29,512	100.0
Total Liabilities	<u>86,111</u>	<u>148,103</u>	
Net Position:			
Net Investment in Capital Assets	17,199,130	17,527,445	(1.9)
Unrestricted	1,648,835	1,517,890	8.6
Total Net Position	<u>\$ 18,847,965</u>	<u>\$ 19,045,335</u>	(1.0)

Net position decreased by \$197,370 from the previous fiscal year-end. This was primarily due to accumulated depreciation, which increased by \$1,531,945, exceeding the amount of capital contributions, which were \$1,194,552.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

Business-Type Activities

All of the Authority's activities are classified as business-type activities. At the end of the current fiscal year, the Kingman Airport Authority, Inc. is able to report a positive balance in its net position.

**Table A-2
Changes in Net Position**

	2015	2014	% Change
REVENUES			
Leases	\$ 449,393	\$ 562,742	(20.1)
Capital Grants and Contributions	1,106,032	36,988	2,890.2
Other	743,842	554,979	34.0
Total Revenues	<u>2,299,267</u>	<u>1,154,709</u>	99.1
EXPENSES			
Depreciation	1,531,945	1,492,522	2.6
Other Operating Expenses	963,314	999,790	(3.6)
Nonoperating Expenses	1,378	1,584	(13.0)
Total Expenses	<u>2,496,637</u>	<u>2,493,896</u>	0.1
CHANGE IN NET POSITION	(197,370)	(1,339,187)	(85.3)
Net Position - Beginning of Year	19,045,335	20,384,522	(6.6)
NET POSITION - END OF YEAR	<u>\$ 18,847,965</u>	<u>\$ 19,045,335</u>	(1.0)

Capital grants and contributions increased by \$1,069,044 mainly due to the Authority receiving an ADOT grant to rehabilitate/upgrade Taxiway D.

Leases decreased by \$113,349 due to fewer tenants and a correction of current year lease revenues that were recognized incorrectly in the prior year.

Other revenues increased by \$188,863 primarily as a result of monthly aircraft tie down fees generating more than what the tenant anticipated by way of storing large aircraft on the field.

The Authority's expenses stayed similar to the prior year due to no significant changes in operations.

BUDGETARY HIGHLIGHTS

The Authority prepares a budget annually which is submitted to the Board of Directors for approval during the spring of each year. The budget is used as a management tool; it is not a legally binding document. The budget and annual comparisons of actual to budget is prepared on the budgetary basis of accounting. There were no significant changes to the budget during the year. Although the budget is not legally adopted, it is an important management tool used throughout the fiscal year. See page 18 for a presentation of the budget to actual comparison for the fiscal year.

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Kingman Airport Authority, Inc.'s capital assets as of June 30, 2015 amount to \$17,228,641 (net of accumulated depreciation), a net decrease of about 2%. The capital assets include runways and taxiways; buildings; improvements; machinery and equipment. A large majority of these assets were contributed to the airport directly or were purchased with the aid of federal and state grants.

Major capital asset events during the current fiscal year included the following:

- ◆ Runway rehabilitation and design.
- ◆ Wildlife hazard assessment.

The following table provides a breakdown of the capital assets of the Kingman Airport Authority, Inc. at June 30, 2015 and 2014.

**Table A-3
Capital Assets
(Net of Accumulated Depreciation)**

	Business-Type Activities	
	2015	2014
Land Improvements	\$ 13,707,191	\$ 13,935,190
Building and Improvements	2,590,648	2,760,719
Furniture, Machinery, and Equipment	202,414	263,752
Construction in Progress	728,388	606,373
Total Capital Assets	<u>\$ 17,228,641</u>	<u>\$ 17,566,034</u>

LONG-TERM OBLIGATIONS

The Authority has a capital lease agreement during for a tractor with a value of \$47,311. Further detail on the lease obligation may be found in Note 3.B.

**Table A-4
Long-term Obligations**

	2015	2014
Capital Lease Payable	<u>\$ 29,511</u>	<u>\$ 38,589</u>

**KINGMAN AIRPORT AUTHORITY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The general economy in Kingman remains flat, as the community is just beginning to see new construction increases over the last year. However, home sales are increasing at a modest rate and consumer confidence remains reserved. In the last year there have been new businesses locating in the airport industrial park in existing spaces and job generation has increased. Although a positive trend, the employment increase still hasn't offset the job losses due to plant closures or the total employment at the park which peaked in 2007.

Kingman's geographic location makes the community suited logistically for manufacturers to service southern California, Arizona, Nevada, as well as parts of Utah and New Mexico overnight. National economic conditions and the unknown impact of new health care regulations have continued to affect the number of inquiries from East Coast and Midwest companies looking to expand their operations into the Southwest to take advantage of the Kingman location. Proceeds from land sales within the industrial park as a result of growth will be utilized to construct basic infrastructure and capital improvement projects for the airfield and industrial park.

Lease revenues and user fees will continue to fund the Authority's operations. Lease opportunities are being pursued and encouraged along with promoting land sales. New leases include an automatic annual adjustment of 3% of the base rent effective July 1, of each year, and as older leases expire, they will be replaced with language incorporating automatic adjustments as well.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Kingman Airport Authority, Inc.'s finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Kingman Airport Authority, Inc.
Accounting Department
7000 Flightline Drive
Kingman, AZ 86401
928-757-2134

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF NET POSITION
JUNE 30, 2015

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,534,857
Receivables, Net	
Accounts Receivable	83,990
Intergovernmental Receivable	86,088
Interest Receivable	500
Total Current Assets	<u>1,705,435</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable	728,388
Depreciable, Net, (Including Property on Operating Leases of \$1,653,883	
Less Accumulated Depreciation of \$975,832)	<u>16,500,253</u>
Total Noncurrent Assets	<u>17,228,641</u>
Total Assets	<u><u>\$ 18,934,076</u></u>
Liabilities and Net Position	
Current Liabilities	
Accounts Payable	\$ 23,691
Accrued Wages and Benefits	3,621
Compensated Absences Payable	23,038
Capital Lease Payable	9,447
Customer Deposit Payable	6,250
Total Current Liabilities	<u>66,047</u>
Noncurrent Liabilities	
Capital Lease Payable	<u>20,064</u>
Total Liabilities	86,111
Net Position	
Net Investment in Capital Assets	17,199,130
Unrestricted	1,648,835
Total Net Position	<u>18,847,965</u>
Total Liabilities and Net Position	<u><u>\$ 18,934,076</u></u>

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED JUNE 30, 2015

Operating Revenues	
Leases	\$ 449,393
Intergovernmental	29,810
Airport Usage Fees	690,226
Total Operating Revenues	<u>1,169,429</u>
Operating Expenses	
Personnel	371,564
Payroll Taxes and Benefits	138,666
Office Expense	13,244
Professional Services	100,051
Maintenance and Repairs	44,916
Motor Pool	18,033
Operational Expense	276,840
Depreciation	1,531,945
Total Operating Expenses	<u>2,495,259</u>
Operating Loss	(1,325,830)
Nonoperating Revenues (Expenses)	
Contributions and Donations	15,533
Interest Revenue	630
Application Fees	3,000
Miscellaneous Revenues	4,643
Interest Expense	(1,378)
Total Nonoperating Revenues (Expenses)	<u>22,428</u>
Loss Before Capital Contributions and Transfers	(1,303,402)
Capital Contributions	<u>1,106,032</u>
Change in Net Position	(197,370)
Total Net Position - Beginning of Year	19,045,335
Total Net Position - End of Year	<u><u>\$ 18,847,965</u></u>

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,192,062
Payments to Suppliers	(640,388)
Payments to Employees	(377,590)
Customer Deposits Received	1,750
Other Nonoperating Revenues	23,176
Net Cash Flows Provided by Operating Activities	<u>199,010</u>
Cash Flows from Capital and Related Financing Activities:	
Capital Grants and Contributions	1,106,032
Purchases of Capital Assets	(1,194,552)
Principal Paid on Notes Payable	(9,078)
Interest Paid on Notes Payable	(1,378)
Net Cash Flows Used for Capital and Related Financing Activities	<u>(98,976)</u>
Cash Flows from Investing Activities:	
Interest	630
Net Change in Cash and Cash Equivalents	100,664
Cash and Cash Equivalents - Beginning of Year	<u>1,434,193</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 1,534,857</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (1,325,830)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	1,531,945
Other Nonoperating Revenues	23,176
Change in Assets/Liabilities:	
Accounts Receivable	62,234
Intergovernmental Receivable	(39,601)
Accounts Payable	(48,638)
Accrued Wages and Benefits	1,798
Compensated Absences Payable	(7,824)
Deposits Payable	1,750
Net Cash Provided by Operating Activities	<u><u>\$ 199,010</u></u>

See accompanying Notes to Financial Statements.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Kingman Airport Authority, Inc. (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Authority's more significant accounting policies follows.

A. Reporting Entity

The Kingman Airport Authority, Inc. (Authority) was incorporated in the State of Arizona in July 1992, as a nonprofit corporation. The Authority operates, maintains, and manages the Kingman Airfield and Industrial Park, collectively known as the Airport for the City of Kingman, Arizona. The Authority is administered by the board of directors who are elected by the membership of the Authority.

The Kingman Airport Authority, Inc. was formed by transferring the assets and liabilities of the Mohave County Airport Authority, Inc., which related to the Kingman Airfield and Industrial Park, to the Kingman Airport Authority, Inc. The Authority leases the real property at no cost from the City of Kingman, Arizona under a long term lease. Primary sources of funding for the Authority are rents from subleasing real property, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the Authority include management, maintenance, and development of the Kingman Airfield and the Kingman Airport Industrial Park. The Authority is considered to be a political subdivision of the State of Arizona, Mohave County and the City of Kingman, Arizona with the responsibility of carrying out the function of airport management.

In evaluating how to define the Authority, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth by accounting principles generally accepted in the United States of America. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Authority) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government.

In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Authority's reporting entity, none have been included in the Authority's reporting entity.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

Government-wide financial statements are not presented, as the Authority only engages in business-type activities. The Authority only has one fund, an enterprise fund. Accordingly, the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows report information for that single enterprise fund only.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of net position and statement of revenues, expenses and changes in net position are reported using the *economic resource measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Such revenue is subject to review by the funding agency, which may result in disallowance in subsequent periods.

The Authority reports the following proprietary fund:

The *Enterprise Fund* is used to account for operations (a) that are financed and operated in manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, authorities or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Receivables

All trade receivables are shown net of an allowance for uncollectible receivables. The Authority annually reviews the balance in the reserve account during the budget process to determine if, based on past history, the account is adequate to cover current trade receivables. If judged to be inadequate, an additional amount is budgeted and recorded over the course of the year. Receivables from governments are assumed to be entirely collectible and are not included in this analysis.

3. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized was calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Land Improvements	10-30 Years
Building and Improvements	7-30 Years
Furniture, Machinery, and Equipment	3-8 Years

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Authority adopts an annual nonappropriated budget as a management control device. The budget is prepared on the modified accrual basis, which is a different basis of accounting than is used to present the financial statements. (See Note 1 of Supplementary Information for reconciliation).

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits at June 30, 2015 consist of the following:

Deposits:	
Cash in Bank	\$ 523,771
Certificates of Deposit	1,011,086
Total Deposits	<u>\$ 1,534,857</u>

Deposits - The Authority's deposits at June 30, 2015, were entirely covered by federal depository insurance and collateral accounts.

2. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 606,373	\$ 1,194,552	\$ (1,072,537)	\$ 728,388
Capital Assets, Being Depreciated:				
Land Improvements:				
Airfield	17,784,667	1,072,537	-	18,857,204
Industrial Park	9,048,640	-	-	9,048,640
Buildings and Improvements:				
Airfield	4,342,310	-	-	4,342,310
Industrial Park	2,060	-	-	2,060
Furniture, Machinery, and Equipment	891,608	-	-	891,608
Total Capital Assets, Being Depreciated	<u>32,069,285</u>	<u>1,072,537</u>	<u>-</u>	<u>33,141,822</u>
Accumulated Depreciation for:				
Land improvements:				
Airfield	(8,204,012)	(955,085)	-	(9,159,097)
Industrial Park	(4,694,105)	(345,451)	-	(5,039,556)
Buildings and Improvements:				
Airfield	(1,582,758)	(170,003)	-	(1,752,761)
Industrial Park	(893)	(68)	-	(961)
Furniture, Machinery, and Equipment	(627,856)	(61,338)	-	(689,194)
Total Accumulated Depreciation	<u>(15,109,624)</u>	<u>(1,531,945)</u>	<u>-</u>	<u>(16,641,569)</u>
Total Capital Assets, Being Depreciated, Net	<u>16,959,661</u>	<u>(459,408)</u>	<u>-</u>	<u>16,500,253</u>
Business-type Activities Capital Assets, Net	<u>\$ 17,566,034</u>	<u>\$ 735,144</u>	<u>\$ (1,072,537)</u>	<u>\$ 17,228,641</u>

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Construction Commitments

The Authority has several active construction projects at June 30, 2015. The projects involve infrastructure, ramp reconstruction and other miscellaneous projects. At fiscal year end the Authority's commitments with contractors were as follows:

Project	Spent-to-date	Remaining Commitment
Environmental Assessment Land Release	\$ 228,280	\$ 82,221
Environmental Assessment For 80 Acres	79,248	6,548
Terminal Design	146,180	52,730
RW 17/35 Overlay	72,794	-
Shipping Lane Cleanup	4,437	184,495
Wildlife Hazard Assessment	110,369	577
Taxiway C Ramp Design & Rehabilitation	87,080	2,729,213
	<u>\$ 728,388</u>	<u>\$ 3,055,784</u>

B. Obligations Under Capital Leases

The Authority has a capital lease for a tractor. The original principal amount of the capital lease was \$47,311. The lease provides for title to pass at the end of the lease term.

The asset acquired through the capital lease is as follows:

Furniture, Machinery, and Equipment	\$ 47,311
Less: Accumulated Depreciation	(11,828)
Total	<u>\$ 35,483</u>

The future minimum lease payments under the capital lease as of June 30, 2015, are as follows:

Year Ending June 30,	
2016	\$ 10,456
2017	10,456
2018	10,456
Net Minimum Capital Lease Payments	<u>31,368</u>
Less Amount Representing Interest	(1,857)
Present Value of Net Minimum Capital Lease Payments	<u>\$ 29,511</u>

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 OTHER INFORMATION

A. Risk Management

The Kingman Airport Authority, Inc. is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. There were no significant reductions in coverage from the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In addition, the Authority is insured by Auto-Owners Insurance.

B. Lease Revenues

The Authority leases, under operating leases, certain property and improvements.

The operating leases have varying terms ranging from a month-to-month basis to twenty-six years. Most leases extending over a one-year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

The following is a summary of property on operating leases at June 30, 2015:

Buildings and Improvements - Airfield	\$ 1,637,969
Land and Improvements - Industrial Park	15,914
Less: Accumulated Depreciation	<u>(975,832)</u>
	<u>\$ 678,051</u>

Minimum future rentals to be received on cancelable leases as of June 30, 2015, for each of the next five years and in the aggregate are:

<u>Year Ended June 30,</u>	
2016	\$ 964,745
2017	352,938
2018	321,169
2019	149,377
2020	138,829
Subsequent to 2020	<u>1,357,441</u>
Total Minimum Future Rentals	<u>\$ 3,284,499</u>

C. Related Party Transactions

One of the Authority's board members and one of the Authority's employees are affiliated with one of the banking institutions in which the Authority transacts business as either employees or board members of that institution. At June 30, 2015, the deposits in Mission Bank totaled \$1,077,582.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans

Defined Contribution Pension Plan

The Authority's 401(a) Retirement Plan is a defined contribution pension plan established by the Authority and administered by Nationwide Life Insurance to provide benefits at retirement to all full-time employees of the Authority. At June 30, 2015, there were eight plan members. Plan members are required to contribute 6% of covered salary. The Authority is also required to contribute 6% of covered salary. Plan provisions and contribution requirements are established and may be amended by the Authority's governing board. Covered payroll for the year totaled \$292,450. Employee contributions totaled \$17,547 and employer contributions totaled \$17,547 for the year ended June 30, 2015. Employee and employer contributions for the years ending June 30, 2013 and 2014 each totaled \$22,033 and \$22,939, respectively.

E. FAA Commitment for Future Improvements

The Authority is obligated by the Federal Aviation Administration (FAA) to invest an amount equal to the net proceeds of land sales at the Kingman Airport Industrial Park in improvements to and operations of the Kingman Airfield within five years from the date of the sale. The Authority obtained authorization from the FAA during fiscal year 2009-10 to deduct prior year operating expenses from the beginning balance. In fiscal year 2009-10 the Authority had applied enough operating expenses to the fund that it was zeroed out. The Authority did not make any land sales during the 2014-15 fiscal year. The Authority had no amounts obligated to be spent for airfield improvements and operations at June 30, 2015. In addition, the Authority has an additional amount of \$13,784,956 of operating expenses that can be used to offset future year land sales.

F. Contingent Liabilities

In February 2000, the Army Corps of Engineers remediated a portion of the Kingman Airport ("Site"). This remediation consisted of excavating the contaminants and placing the soils into 8 separate pits covered with an asphalt cap. The attempted remediation efforts have failed. Specifically, the asphalt cap has deteriorated, rendering portions of the Site unsuitable for airport operations. The federal government caused the initial contamination and conducted the remediation through a third-party contractor. Therefore, the Kingman Airport Authority, Inc. asserts the federal government should be responsible for the cost to repair the failed remediation. The federal government is asserting a counterclaim under the Resource Conservation and Recovery Act alleging the Kingman Airport Authority, Inc. must take action to investigate, abate, and remediate the endangerment to health or the environment caused by the release of the heavy metals. The litigation is on-going, so management is not able to assess the probability of success of the potential litigation regarding either the Kingman Airport Authority's claims or the federal government's counterclaims.

**KINGMAN AIRPORT AUTHORITY, INC.
STATEMENT OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2015**

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Leases	\$ 522,450	\$ 449,393	\$ (73,057)
Intergovernmental Revenue	36,000	29,810	(6,190)
Contributions and Donations	-	15,533	15,533
Interest Revenue	1,000	630	(370)
Application Fees	3,000	3,000	-
Land Sales	196,000	-	(196,000)
Capital Contributions	4,210,316	1,106,032	(3,104,284)
Miscellaneous Revenues	800	4,643	3,843
Airport Usage Fees	380,300	690,226	309,926
Total Revenues	<u>5,349,866</u>	<u>2,299,267</u>	<u>(3,050,599)</u>
Expenses			
Personnel	473,500	371,564	101,936
Payroll Taxes and Benefits	149,235	138,666	10,569
Office Expenses	17,350	13,244	4,106
Professional Services	79,500	100,051	(20,551)
Maintenance and Repairs	83,500	44,916	38,584
Motor Pool	41,000	18,033	22,967
Operational Expense	267,450	276,840	(9,390)
Debt Service	-	10,456	(10,456)
Capital Outlay	4,608,243	1,194,552	3,413,691
Total Expenses	<u>5,719,778</u>	<u>2,168,322</u>	<u>3,551,456</u>
Excess (Deficiency) of Revenue Over Expenses	<u>\$ (369,912)</u>	<u>\$ 130,945</u>	<u>\$ 500,857</u>

**KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

NOTE 1 BASIS OF ACCOUNTING

The adopted budget of the Enterprise Fund was prepared on the modified accrual basis. Consequently, the following adjustments are necessary to reconcile budgetary to GAAP basis.

	Enterprise Fund	
	Total Operating Revenues	Total Operating Expenses
Statement of Revenues, Expenses and Changes in Fund Net Position	\$ 1,169,429	\$ 2,495,259
Nonoperating Revenues and Expenses	23,806	1,378
Adjustments to Present Data on the Budgetary Basis:		
Additions	1,106,032	1,203,630
Subtractions	-	(1,531,945)
Statement of Revenues, and Expenses - Budget and Actual (Budgetary Basis)	<u>\$ 2,299,267</u>	<u>\$ 2,168,322</u>